



SECTION 10

Facility Maintenance and Links to the Capital Budget

10.1 Linking the operating and capital budgets



Relationships between the operating and capital budgets

While agencies will submit a separate capital budget request, facility-related costs may appear in both the operating and capital budgets. The agency should ensure that:

- The operating budget includes all facility maintenance costs related to the capital budget request or to previously authorized facilities.
- The capital budget, like the operating budget, is derived from the agency strategic plan.

The OFM capital budget instructions provide more information on capital budget submittal requirements and the expected links between the strategic plan and capital budget submittals. This section is meant to provide a checklist for agencies to synchronize their capital and operating budgets.

Is the capital budget request consistent with decision package responses?

As a component of a decision package, agencies must answer the question: “Can existing facilities accommodate this program without remodeling or renovation?” A “no” answer indicates that a capital budget request may be appropriate.

Is the operating budget request consistent with the Deferred Repair and Renewal Backlog Reduction Plan?

In its *Capital Budget Instructions*, OFM will ask agencies to submit a Deferred Repair and Renewal Backlog Reduction Plan (DRRBRP). This plan was formerly known as the Deferred Maintenance Backlog Reduction Plan. The change in title reflects an important distinction between maintenance and repairs that is consistent with JLARC and other studies currently underway. Generally, the operating budget should handle maintenance and the capital budget should handle larger repairs.

The DRRBRP will describe the extent of the agency's deferred repair and renewal, how deferred maintenance and repair and renewal needs are changing over time, and whether any deferred backlog affects delivery of agency essential services. Agencies must quantify identified issues and/or categories of work in their Plan.

The DRRBRP should also include the agency strategy for reducing its backlog. The cost of ongoing maintenance in operating budgets must be coordinated with proposals for facilities preservation projects in agency capital budgets.

Are capital project requests integrated with decision packages?

The *Capital Project Request, Form C-2*, requires information about operating budget costs (or savings) associated with a proposed capital project. OFM will review decision packages and C-2 forms together to better understand the relationships and costs of agency programs and the facilities that support them.

Ensure consistency between operating and capital budget requests

- Align the agency's Ten-Year Capital Plan and the agency's strategic plan submitted in the operating budget.
- Relate performance measures in the operating budget to programmatic capital budget requests in the Ten-Year Capital Plan.
- Include lease or debt service costs for alternate financed capital projects in the agency's operating budget during the biennium in which they occur.
- Identify operating and maintenance cost estimates for land acquisition or improvement where the primary purpose is recreation or wildlife habitat conservation.
- Include costs associated with construction, renovation, and occupancy of space in Thurston County owned and managed by the Department of General Administration in the affected agency's operating budget.

JLARC studies relevant to Budget Development

The Joint Legislative Audit and Review Committee (JLARC) is engaged in two major studies relevant to the 2003-2005 capital budget development process which will result in requests for information during the agency budget development cycle. Both studies were commissioned by the Legislature in the 2001-03 capital budget and have operating budget implications.

The *Higher Education Facility Preservation Study* is examining the condition, maintenance, repair, and renewal of state higher education facilities, including those within the six baccalaureate institutions and the community and technical college system. The study will produce information about higher education facility preservation that can be applied during the 2003-05 legislative budgeting process, as well as explore a framework for ongoing preservation reporting, management, and budgeting. The study report is due in September. JLARC is currently working closely with higher education institutions, as well as OFM and the Higher Education Coordinating Board, in conducting the study.

The *Capital Budget Staffing and Administrative Costs Study* is designed to account for the staffing, administrative, and overhead costs paid by the capital budget; examine the policy and financial implications of funding these costs from the capital budget; and, as appropriate, make recommendations about accounting for these costs during the budgeting process. To collect information for this study, JLARC is preparing to distribute a detailed survey of agencies that receive capital budget appropriations. The survey, to be administered later this spring, will be designed to identify: staffing, administrative, and overhead costs associated with implementing agency capital programs; funding sources used to pay these costs (whether from capital, operating, transportation, or local funds); roles and functions performed by staff; the extent to which functions and costs are one-time or ongoing, and whether they would be incurred in the absence of specific capital projects or programs; and the policy and budgeting history leading up to the current situation.

Refer to Appendix A-5 for more guidance

Appendix A-5 provides some information and guidelines for estimating facility-related costs. The appendix includes information on:

- Internal rents-financing cost recovery charge,
- Internal rents-capital projects surcharge, and
- Maintenance costs.